

**COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP
REGARDING THE JANUARY 27, 2022 RESOURCE ADEQUACY ENGAGEMENT
WORKSHOP**

The utilities comprising the Western Public Agencies Group (“WPAG”) appreciate that the Bonneville Power Administration (“BPA”) is exploring new opportunities for getting more value out of the existing federal system, including by exploring BPA’s potential participation in the binding phase of the Western Resource Adequacy Program (“WRAP” or the “program”). The principle to add value consistent with sound business rationale is a good one. Unfortunately, BPA has yet to unpack how its potential participation in the WRAP would unlock this value within the limitations of its current planning processes. Unless BPA can reap value commensurate with WRAP’s administrative costs and potential non-compliance costs, participation in the program may not be consistent with a sound business rationale.

BPA must still answer some core questions regarding its potential participation before customers can determine whether such participation is in the best interest of both BPA and its preference customers. WPAG recognizes that selling current uncommitted capacity may have value for preference customers, but preference customers also need to make sure that both the net benefit of additional revenue outweighs the cost and that doing so does not degrade their rights to capacity under either the existing Regional Dialogue Contracts or statute (including their statutory right to have preference and priority to the output of the FCRPS and their statutory right to have BPA serve their “Net Requirements”).

Fundamentally, BPA can derive value from the program to the extent that it has program-qualified capacity in excess of all of its current planning criteria or relaxed future planning criteria.

Traditionally, the primary opportunity for a large entity in a capacity market is to capture diversity benefit by planning for capacity needs across a larger footprint. Earlier in the decision process, BPA presented that it anticipates capacity planning diversity benefit from the WRAP by planning to meet a broader footprint coincident peak, but it can only capture value in this way if it also plans to relax its current, more stringent, planning criteria. The main issue to unpack with this opportunity is for BPA to explain if it plans to relax its current planning criteria to take advantage of the regional diversity benefit.¹

Another opportunity is for BPA to sell capacity not needed to meet its current planning criteria and not needed to meet program requirements to other load responsible entities. There are three issues to unpack with this second opportunity. First, BPA needs

¹ A separate, but related issue is whether the current program design allows BPA to fully capture the purported benefits of regional diversity even with relaxed planning criteria. The current design applies a regional coincident peak determined planning reserve margin to individual member **non-coincident** peak demand, which reduces the potential regional diversity benefit.

to develop a clear description of the relationship between program-qualified capacity and capacity needed to meet its' existing planning criteria so that BPA can specifically identify candidate capacity for sale to others. Second, BPA needs to identify specifically which resource capacity it has the rights to (a) use to meet its own planning criteria, (b) use to meet its program requirements, and (c) sell to other load responsible entities. Third, BPA must clearly establish how and, even more importantly, *when* it will make program-qualified capacity that it has determined to be in excess of its own needs available for sale to preference customers (both those preference customers participating in the program and those who are not) before making it available to other non-preference customer load responsible entities. With respect to the last issue, WPAG is looking for clarity as to how BPA's methodology and timeline(s) for making surplus capacity and energy available first to preference customers will overlay with the forward showing and operational timelines and requirements under the program.

Currently, BPA evaluates four needs assessment metrics to ensure that it is resource adequate. BPA explained that it plans its system to meet the most stringent of these four needs assessment metrics each year. BPA envisions that the WRAP will impose a fifth needs assessment metric that BPA will also need to meet. BPA sees this new obligation as additive to its current resource planning criteria but seems confident that the current "P10 Heavy Load Hour" metric will continue to be the most constraining criteria it will need to meet.

WPAG requests that BPA explore through a public forum the relationship between program-qualified capacity and the capacity needed to meet its P10 Heavy Load Hour planning criteria. Assuming BPA will not relax its current planning criteria, one way to unlock value for BPA and its customers would be for BPA to use resources that have the highest effectiveness on its own planning metric and the lowest effectiveness on the WRAP requirement towards meeting its own planning metric. BPA can derive maximum value from meeting its own planning criteria in a way that maximizes excess WRAP qualified capacity.

WPAG requests BPA calculate and publish how much program-qualified capacity could be sold to load responsible entities in the program while still meeting its own planning criteria outside of the program. One option that BPA has yet to discuss with stakeholders would be for BPA to qualify its capacity in the program and sell its excess to load responsible entities, without being a load responsible entity itself. This arrangement could bring significant value to BPA and not require BPA to bear the non-compliance risk of a load responsible entity. This level of participation should be consistent with a sound business rationale to the extent that a portion of BPA's qualified capacity in the program is not needed to meet its current planning criteria (or BPA's capacity obligations under its power sales contracts and/or statute) and to the extent that there is demand for this capacity from load responsible entities in the program.

Finally, WPAG requests BPA to clearly define the relationship between its program-qualified capacity and its other planning criteria so that it can clearly identify and fairly compensate resource owners for resource capacity that BPA uses or sells to other load responsible entities. To the extent that there is excess capacity that BPA has the rights to market to other load responsible entities, BPA must maintain resource-specific accounting so that resource owners can receive commensurate value for their contribution to regional system reliability in the WRAP.

In summary, WPAG requests the following information:

- Assuming BPA **does not** become a load responsible entity in the WRAP, how much excess capacity could BPA potentially sell to other load responsible entities in the WRAP while still meeting its current planning criteria?
- Assuming BPA **does** become a load responsible entity in the WRAP, does BPA plan to relax its current planning criteria to reduce capacity planning charges or create excess capacity to sell to other load responsible entities in the WRAP?
 - How much can BPA reliably relax its current planning criteria and how much excess capacity would this create for BPA to sell (subject to its preference obligations) to load responsible entities in the WRAP?
 - How much net revenue would result?
- Assuming BPA **does** become a load responsible entity and **does not** plan to relax its existing planning criteria, how much WRAP qualified capacity does BPA anticipate it will have in excess of program requirements that it will not need to meet its other planning criteria?
- How will BPA's methodology and timeline(s) for making surplus capacity and energy available first to preference customers interact with the forward showing and operational timelines and requirements under the program?